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## 6 Major Credit Card Mistakes

by Amy Fontinelle ([Contact Author](#) | [Biography](#))[Email Article](#)[Print](#)[Feedback](#)[Reprints](#)*Filed Under:* [Budgeting](#), [Credit](#), [Credit Cards](#), [Credit Report](#), [Debt](#), [Options](#), [Personal Finance](#), [Retirement](#)

Are you having trouble getting your [credit card](#) balances under control? If so, don't beat yourself up over it - you're in the same boat as thousands of other consumers. Once you choose to change you spending habits, however, it is possible to make your debt manageable. Use these simple tips to stop adding to your existing [credit](#) card debt and start regaining control of your finances.

### Pay More Than the Minimum Balance

It's tempting to send in the minimum monthly payment (often \$15 to \$25) when you're under financial duress.

Don't do it.

Not only will you never pay off your bill, but the interest rates that credit card companies charge will actually keep your bill growing every month. Instead, send as large of a payment as you can afford to. Where possible, reduce your spending in other areas to focus on paying off [your credit](#) card debt. It might be worth going without extras like cable television or new clothes for a while if it means you can sleep easier at night knowing that you'll soon be free of debt. (For more insight, read [Understanding Credit Card Interest.](#))

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It may not feel like you're [saving](#) money when you increase your credit card payments, but you are. Depending on your [interest rate](#), you're saving an average of 10-29% per year in interest on any balance that you manage to get off your cards. That means that if you pay off an extra \$1,000 this year, you're actually coming out \$160 to \$290 ahead, depending on your interest rate. If you're already in debt, chances are money is tight for you, so freeing up this extra money can really start to give you some breathing room in the long run. Whether you use this money to accelerate your debt payments further, start an emergency fund, or invest in [your retirement](#), the power of [compound interest](#) will start working for you instead of against you. (To learn more, read [Expert Tips For Cutting Credit Card Debt](#).)

### **Don't Use Your Credit Card for Everyday Items**

Except in extenuating circumstances, you should have your budget under control enough that you can at least pay for your monthly necessities with your monthly income. By keeping required purchases like groceries and utility bills off of your credit card, you'll be taking a major step in the right direction to getting your spending under control. Consider that a \$3 gallon of milk purchased with a credit card can quickly turn into a \$30 gallon of milk if you don't pay off the balance at the end of the month. There's no need to incur interest charges on necessary items that you should be paying for with your monthly income. (To start getting your monthly spending under control, read [The Beauty of Budgeting](#) and [Get Your Budget Into Fighting Shape](#).)

### **Be Wary of Credit Card "Rewards"**

The rewards you can earn from credit cards, while a nice perk, are worth far less than the extra interest you'll accrue if you can't pay off the money you spend to earn such bonuses. The credit card reward schemes that allow you earn points on your credit card purchases often come out to a reward of 2% or less. For example, you may receive one point for each dollar that you spend, but you must redeem 5,000 points to get a \$100 discount on a plane ticket. Because the amount of interest that is charged on outstanding [account balances](#) exceeds the 2% bonus that you received, it may not be worthwhile to incur the interest charges for such a small reward.

You should also avoid signing up for multiple credit cards, regardless of the sign-up bonuses they may offer. If you already know that you don't manage credit cards well, don't give yourself more temptation in the form of more cards. It's also easier to miss a payment deadline when you have more cards than you can comfortably keep track of, and a few \$39 late fees or interest payments will quickly obliterate any \$100 gift card you may have received when you applied. (For more insight, check out [How Credit Cards Affect Your Credit Rating](#).)

Once you have your credit card debt paid off, if you understand how your cards work and you trust yourself to not go into debt again, you can start using credit cards as convenience cards. As long as you pay your balance in full and on time each month, there is nothing wrong with using credit cards to avoid carrying around cash or to take advantage of rewards like frequent flier miles - as long as your purchases fit within your monthly budget, of course.

### **Say "No" to Cash Advances**

Credit card companies employ tactics such as sending you checks in the mail as often as once a week and encouraging you to use them to pay bills or treat yourself to something nice, but only in the fine print do they mention that these checks are considered a cash advance.

The main reason why taking a [cash advance](#) is such a bad idea is that you start accruing interest the minute you take the advance - unlike with regular credit card purchases, there is often no grace period. You're also charged an automatic fee, usually around 2-4%, on the amount of the cash advance in addition to a higher [interest rate](#) than what you're paying on the rest of your credit card balance. To add insult to injury, the credit card company often won't consider the cash advance to be paid off until you've paid off your balance for your other purchases.

The best thing to do with these checks is to shred them as soon as you receive them. This way, you'll avoid the temptation to use them and prevent would-be [identity thieves](#) from snagging them out of your trash. Many credit cards will also send you a pin number shortly after you sign up for a card so that you can use your credit card to get cash from an [ATM](#). Shred that pin number, too - cash advances are a terrible deal for consumers.

### **Avoid Using Your Credit Card as a Cure for Medical Bills**

Medical bills can be overwhelmingly expensive, especially if you're uninsured. If you're having trouble paying your medical bills, negotiate an agreement with the hospital or other company to whom you owe money. Don't add to your bills and your stress by tacking exorbitant credit card interest rates onto them. You should also consider going over your bills with a fine-toothed comb to make sure they are accurate and that you understand all of the charges. (For more on covering medical expenses, read [Fighting The High Costs Of Healthcare](#).)

### **Don't Ignore Your Debt**

Some people become so stressed out or embarrassed by their credit card debt that they simply stop opening their bills and pretend that the problem isn't there. While this tactic may appear to work for a month or two, it's a bad approach because while you're ignoring your bills, interest rates are causing the balance you owe to grow every day. In fact, if you miss a payment or two, the interest rate itself may even increase under the terms of your credit card agreement. Not paying your bills on time also has a detrimental effect on your [credit score](#). (For related reading, check out [The Importance Of Your Credit Rating](#) and [Consumer Credit Report: What's On It](#).)

If you're feeling overwhelmed, you can call each of your credit cards and ask to renegotiate the terms of your agreement. Sometimes you can get your interest rate lowered, set up a payment plan that will allow you to pay off your debt, or even get some of your debt forgiven, all with a simple phone call. If your first call doesn't work, remember that just because one person says no doesn't mean that's the final answer. Keep calling the company back - you'll often get a different customer service rep almost every time, and talking to different people may allow you to negotiate a better deal. (To learn more on this topic, read [How To Dispute A Credit Card Charge](#) and [A Lifeline For Those Drowning In Debt](#).)

Ignoring your debt can also spur debt collectors into action, and with the unsavory tactics some collectors are employing these days, you definitely don't want to do anything that might put you on their radar. Finally, don't let embarrassment prevent you from taking action; you might assume that most everyone you know has their finances under control, but some of them probably have at least as much debt as you do. (For more insight, read [Stop Keeping Up With The Joneses: They're Broke.](#))

### Conclusion

Cleaning up your credit card debt takes time and self control, but the steps outlined here aren't difficult. There's no reason that credit cards can't be a helpful, convenient tool - assuming you can learn to use them sensibly and responsibly. These tips will help you keep control of your cards instead of letting them control you.

by **Amy Fontinelle**, ([Contact Author](#) | [Biography](#))

*Amy Fontinelle is a freelance writer and editor with clients located across the United States and in Canada. She has written over 300 published articles and blog posts for a variety of national and local publications and websites on topics including travel, restaurants, food and drink, fitness, budgeting, credit management, real estate, investing and historic preservation. Her articles have been featured on the homepage of Yahoo! and on Yahoo! Finance, Yahoo! HotJobs, several local news websites and Forbes.com.*

*You can read more of Amy's personal finance articles at [Two Pennies Earned](#), her own personal finance website, and at [PF Advice](#), one of the web's leading personal finance blogs.*

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